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ABSTRACT

This case study concerns the 1992 Maryland legislation which granted St. Mary's College, a Public Honors College, a lump sum budget and exemption from most normal state controls. In return, there was an institutional agreement to cap state tax support at an agreed upon level and to use money from tuition increases to fund low income students. This case study asks what have been the major consequences of a hybrid public/private status, whether the state government yielded to much autonomy to the college, and whether necessary accountability has been lost. Twenty-three interviews were done with 12 participants from within the college and 11 from various branches of Maryland state government. A Middle States Team Report found that student diversity had increased, entering students' grade point averages were higher, faculty quality and diversity had increased, faculty-student ratios were improved, and non-teaching staff reported satisfaction with working conditions. The curriculum received praise for its planning and implementation. Both state officials and college officials have been pleased with the results of the agreement. It appears that the independent governing board has been a key to the success of the agreement and the influence of the current president has also been crucial and this may have impact in the future when there is a change of personnel. (JLS)

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The Quasi-Privatization of a Public Honors College:

A Case Study of St. Mary's College in Maryland

by

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This paper was presented at the annual meeting of the Association for the Study of Higher Education held in Memphis, Tennessee, October 31 - November 3, 1996. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.

I. Introduction

With no answers in sight to the mammoth federal debt and with many state budgets reeling under the burgeoning needs of state prison, health and welfare programs, the likelihood of significant increases in higher education budgets from either federal or state tax dollars is quite small. But, at the same time, demographic projections are indicating yet another wave of enrollment increases. As a consequence, universities and colleges are casting around more aggressively to learn how to "do more with less". The other policy alternatives are to "do less with less" reducing access, or to "do less well with less" reducing quality to maintain access.

This study takes up one of the possible policy choices involved in trying to "do more with less" -- namely, giving a state institution a hybrid public/private status by state law, to see whether "privatizing" some of its functions would allow it to become so efficient and effective that it could increase quality, maintain access and raise more and more funds from non-state sources. In other words, the state would not appropriate more tax dollars to support the institution, but would give the institution more procedural autonomy (flexibility) to spend the dollars it does receive.

The case study concerns the 1992 Maryland legislation which granted St. Mary's College, a Public Honors College, a lump sum budget and exemption from most normal state controls (e.g. over procurement, personnel and some capital development processes) in exchange for an institutional agreement both to cap state tax support at a mutually agreed level (plus future growth to cover inflation) and to use some of the additional tuition income from the institution's plan to double its tuition charges in five years (from $2500 to $5000) to hold harmless the access of low income students.

The policy question emerging from the above set of facts relates to whether the changes involved turn out, over time, to be "win/win" for both the institution and the broader public interest or whether informed opinion at the campus or in the state capital perceives the changed status not to have been in the best interest of either the institution or the state or both. Admittedly, the term "public interest" is subject to varying interpretations, but this analysis uses the notions of the tensions between autonomy and accountability advanced in the opening chapter of my book on Statewide Coordination of Higher Education (1971). According to this analysis, one first distinguishes between an institution's claim to academic freedom and its hope for maximum autonomy. Academic freedom is defined as the freedom of the individual scholar in his/her teaching and research to follow truth wherever

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it seems to lead without fear of punishment for having offended some political, religious or social orthodoxy. This freedom is considered so fundamental that legitimate governmental action abridging it is nearly unthinkable. In contrast, at least all public sector institutions operate in a legal and political environment in which autonomy issues have to be played out in the context of the institutions' general accountability to the public interest, as interpreted by actions of the current executive and legislative branches. Here it is helpful to distinguish between notions of procedural autonomy and those of substantive autonomy. The former are essentially matters of means -- the How of Academe, the processes by which institutions pursue their substantive goals. The latter are the actual goals, purposes, functions that constitute the core reasons for existence of the institutions in question -- the What of Academe. By this analysis, state accountability patterns that impact on procedural autonomy may sometimes seem irritating or even counter-productive to the institutions, but they usually do not prevent ultimate achievement of institutional goals. In contrast, state accountability patterns that impact on substantive autonomy raise crucial questions about which kinds of decisions need to be made at which locations for the autonomy/accountability tensions to be worked out in ways which allow both the institutional needs and the public interest to be well served.

Applied to this case study, the operating questions become: "Has the state granted so much procedural autonomy to St. Mary's College that the necessary ingredients of accountability have been lost? Is accountability an end in itself, or a means toward the efficient and effective delivery of public services? If the case of St. Mary's Colleges seems to indicate that "both sides" have gained from the agreement, are there precedents involved which could be extended more broadly to the public sector of higher education?"

With an event this recent, an investigator has no choice but to supplement the meager written record with extensive interviews of key actors at both the campus in question and among the persons in the state capital and elsewhere who may have had some reason to be involved or to have had relevant opinions on the desirability of the changed status. In order to encourage maximum candor, respondents were promised confidentiality. Twenty three persons were interviewed, twelve associated with the campus and eleven scattered across the executive and legislative branches of state government, the state coordinating board and other public sector institutions. In situations where nuanced judgments are crucial, survey data just do not serve the purpose. Face-to-face interviews, with the opportunity to inspire respondent confidence in the investigator's ability to come well prepared and to be very discreet in the use of information gained, provide much richer data.

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II Brief Historical Background of Events Leading Up to 1992 Law

Most higher education institutions with good public relations offices issue pronouncements about the "uniqueness" of the particular institution's evolution. But in the case of St. Mary's College of Maryland there really are very unique circumstances surrounding its origin and evolution. It started life in 1840 as a public secondary boarding school for women, St.Mary's Female Seminary. It was created by state law as a living monument to the memory of the state founders who, on that very site in 1634, had established the state capital which was to last until 1694 when the capital was moved to Annapolis. From 1840 to 1923 the Seminary struggled to survive the vicissitudes of civil war and modest enrollments. In 1923 the Seminary added the words "Junior College" to its title and expanded to a six year curriculum. In 1935 it was decided to drop the first two years of secondary schooling and the institution became a four year Junior College.

World War II brought some growth to the rural area in which the College was located (including some national military facilities) and some men were allowed to study there, either as "day students, non-residential" or as evening students. In 1947 a state commission on higher education, the Marbury Commission, recommended a statewide system of locally controlled junior colleges, but urged that several public institutions, including St.Mary's, be closed -- in the case of St.Mary's because its relatively high cost per student and its rural location seemed to preclude its becoming minimally efficient. The College was able to block that recommendation and in 1960 graduated its last class of high school seniors, becoming for the next eight years a coeducational junior college. But a Middle States accrediting report was critical of what was perceived as unresolved tensions between the traditionally-oriented liberal arts day programs and the more vocationally-oriented evening programs. Deciding to concentrate on its historic emphasis on the liberal arts and ignoring a Middle States warning about moving too quickly toward four year college status, the institution in 1964 applied for and received state approval to become a public four year liberal arts institution, named St.Mary's College of Maryland. The long transition from secondary seminary for women to liberal arts college for all was completed (For more details of the fascinating history, see J.Frederick Fausz, Monument School of the People, a Sesquicentennial History of St.Mary's College of Maryland, 1840 - 1990.1990).

The liberal arts college created a new General Studies curriculum in 1985 and continued its steady climb in the number of applications received and in the average SAT scores of entering freshmen. Perhaps more importantly, the College under the leadership of Dr.Edward (Ted) Lewis carefully built an increasingly prestigious Board of Trustees and recruited a powerful group of experienced senior administrators.

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Thus, when Governor William Donald Schaefer proposed a massive reorganization of public higher education in Maryland in 1987, St. Mary's College resisted the move to consolidate the governance of all public four year institutions under one governing board. This proposal was a brainchild of Dr. John Toll, President of the University of Maryland system, and was endorsed by the heads of all other but one of the state's public four year colleges. The other resisting institution was Morgan State University, a predominantly black institution in Baltimore. The power of the Legislative Black Caucus in the state legislature was sufficient to exclude Morgan State from the later merger, and it must have been the power and political prestige of St.Mary's Board of Trustees which also permitted them to resist the strong pressures from the executive and legislative branches for total merger.

The configuration which resulted (Berdahl and Schmidtlein, 1996) in 1988 included a merged University of Maryland System (with five former University campuses and six former state college campuses), a separate St.Mary's College with its own Board of Trustees, a separate Morgan State with its own governing board, a system of 17 community colleges, each with its own governing board, and a large private sector, all presided over by a revamped state coordinating board, the Maryland Higher Education Commission, which had replaced a weaker State Board of Higher Education.

The good news for higher education in the state was that the Governor had promised to increase significantly state funds going to higher education if the institutions agreed to substantial reorganization, and he evidently felt that the changes accomplished sufficiently met that goal, for state appropriations to higher education increased as follows:

Fiscal Year 1988	$614 million
Fiscal Year 1989	$700 million
Fiscal Year 1990	$821 million

Those are large increases by anyone's measure, and all institutions, including both Morgan State and St. Mary's, welcomed strong enhancements. St. Mary's appropriations increased as follows:

Fiscal Year 1988	$6.8 million
Fiscal Year 1989	$7.8 million
Fiscal Year 1990	$8.9 million

To the enhanced state funds going to St. Mary's were added those coming from an increase in annual giving (from $30,000 in 1983 to $335,000 in 1992) and those resulting from a five year Campaign for National Prominence instituted in 1989. This raised $16.3 million by the end of 1992, $5 million over goal and two years early. This Campaign aimed to raise funds not only to improve

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academic and physical plant resources but also to enlarge the faculty, thereby reducing the student/faculty ratio. This ratio had declined from 16:1 in the late 1980's to 13.6:1 in 1994, with long-range plans calling for a 12:1 ratio.

The bad news with respect to state support was that, as happened in many other states, the bottom dropped out of the Maryland state economy in 1991-92, and state support for higher education nosedived from $821 million in 1990 to $715 million in 1992. However, in contrast to stand-still or slightly cut budgets for most public institutions (some predominantly black institutions received small increases), St.Mary's College was granted another substantial increase in 1991 to $10.4 million, before suffering a series of 1992 cuts, ultimately receiving $9.2 million, or an estimated reduction of about 12 percent of total budget. Clearly, the institution and its trustee luminaries (the Board included Andrew Goodpaster and Paul Nitze from national security sources, Ben Bradlee from the Washington Post, Steven Muller, President Emeritus of Johns Hopkins University and Ben Cardin, former Speaker of the Maryland House of Delegates and then Congressman in the U.S. House of Representatives) had been able to convince the Higher Education Commission and the state executive and legislative branches that it was a special college, accomplishing special things, and therefore deserving of increased state support even in difficult times. But just as obviously, there were limits and the state had seemed to reach them.

It was at about this time that some crucial judgments were made and some high risk decisions taken. It was the best estimate from President Lewis and his high powered board that the state's severe fiscal crisis was not going to be just a momentary condition, to be "ridden out" until better times would come along. Instead, the leadership looked at the growing national debt, the annual budget deficits, the need to anticipate politically explosive cutbacks in Social Security and medical programs, the probable efforts to transfer to state responsibilities certain functions and funding currently provided by the Federal government, and, not incidentally, the particularly devastating impact on the Maryland economy of all this because of the state's strong links to so many federal offices and military bases scheduled for retrenchment. They judged, then, that the institution should not go into a "holding pattern" awaiting a better day, but rather that it should exploit a series of strong cards which it held to seek a special relationship with state authority and state funding.

III The Transition to Hybrid Public/Private Status

In 1991 in the midst of the state fiscal crisis, Governor Schaefer issued a challenge to the colleges and universities. In the words of Dr.Shaila Aery, the Secretary of Higher Education and

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CEO of the Maryland Higher Education Commission, this challenge was

> to explore creative new strategies for financing higher education. The state budget already had suffered severe cuts, and deficits were predicted through the end of the decade. It had become obvious that status-quo funding for higher education for the remainder of the decade was the new economic reality. Those of us in the higher education community knew fundamental changes were in store for our colleges and universities and their relation to the state. (as quoted in Lewis, 1994)

Following up on the Governor's statement, Dr.Aery then outlined a range of options, one of which was that institutions be granted "increased flexibility and authority in management, personnel and budgetary decisions, enabling them to be more efficient and productive while containing costs." (Ibid.)

St.Mary's College was in a unique position to exploit this alternative: it had established a firm market niche as a low-cost public sector equivalent to some of the finer private liberal arts colleges (e.g.Davidson, Franklin and Marshall, Colby, Hamilton and Bates), so it was thought that it could raise tuition charges substantially without threatening its needed enrollments; it had a strong track record for already having made itself into an institution of considerable diversity and could therefore presumably be trusted not to let its higher tuition charges turn it into an upper middle class preserve; it had a strong Board of Trustees which could not only reassure the state that prudent use would be made of any newly-granted freedoms but which could also continue the excellent fund raising already evidenced in the Campaign for National Prominence; and finally, it had a leadership team which accepted the risks involved with a determination to make the new relationship work.

What were these risks? Three sets of trade-offs were involved, as the careful negotiations pursuant to the passage of House Bill 1327 occurred in 1991-92. First, in exchange for receiving a lump sum appropriation and procedural autonomy regarding personnel, procurement and capital development projects funded with non-state funds, the institution agreed to cap its operating budget request to the state to the amount appropriated in 1993 (back up to $10.38 million) inflated in future years only as indicated by the Implicit Price Deflator for State and Local Government (Section 14-205, B 1,2 (I)(II)). Clearly, the "risk" here is that the state economy might quickly recover and the other non-capped public institutions (and those private institutions receiving state funds with an escalator clause tied to 16% of the funds appropriated public four year institutions) would receive increases in state funding far larger than that generated by the Implicit Price Deflator. If such were to occur, the newly-granted procedural freedoms might seem to have been purchased at too high a price.

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Of course, logically, the opposite scenario must also be considered. If the state's fiscal problems were to become much worse, rather than status quo or better, then the "cap" would act as a "floor" and the state guaranty would protect St.Mary's tax appropriations in a way that would not legally apply to the other institutions. To be sure, there is protective language in the bill (and in the later Memorandum of Understanding between the Governor and the College) which says that the "predictable level of funding" does not in any way "restrict the budgetary power of the General Assembly" (14-205,B,(4)). So in cases of a "fiscal crisis of large and pressing proportions" (Memo. of Understanding) the state would be able to reduce the promised appropriations to St.Mary's. But, in theory, the agreement would provide that predictable level of funding if the state's fiscal crisis were of a lesser nature.

Second, while the institution already had the power to set its own tuition charges, politically it would have been unacceptable to double them (from $2500 to $5000) in five years without having promised to use some of the additional income as institutional student aid to affirm "the need for increased access for economically disadvantage and minority students" (Section 14-204,E,(iv)). Here the risks are several: first, that the projected student demand might not be sufficiently strong to meet the future budget growths predicated on increased tuition income, and second, that broadened student access might not be achieved, even with enlarged institutional funds going into student aid.

Finally, while receiving lump sum state appropriations and immunity from normal state personnel and procurement controls would allow the institution to undertake academic innovations and quality enhancement projects of its own choosing, such innovations and projects could not be achieved unless to the capped state appropriations and enhanced tuition income could be added significantly enlarged private giving. The increased tuition income, as the previous paragraph explained, would have to be reduced by sizable amounts being diverted to increased student aid funds. Thus, for increases in faculty numbers and/or faculty salaries, for new academic programs, for improved library or student services -- for all of these the institution would have to rely more on private giving and less on state tax dollars. A projection of estimated income showed the state share of St. Mary's total budget declining from about 50% in 1992 to 40% in 1997, with further decline anticipated after that. The obvious risk here is that the increase in private giving may not be sustained over time, and the amount of "new money" for innovations and quality enhancement may be less than projected. One advantage of the "cap/floor" is that, presumably, the state appropriations would not be reduced even if the private fund raising was to be very successful!

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Once that the senior leadership at St.Mary's was convinced that the potential benefits of a new relationship with the state were worth the various risks, a careful campaign was undertaken to get each of the College's constituencies to "buy in" on the process. First the Board of Trustees was involved, from Day One. Ed Clark, former Chair, used his considerable legal skills to help draft the legislation in a way which would establish the new relationship in a manner mutually acceptable to the institution and the state. Current Chair, Steven Muller, President Emeritus of Johns Hopkins University, was able to assure doubting trustees that the proposed changes were in fact "a pragmatic, effective response to a changed environment." (Lewis, 1994) Then, President Lewis later reported, at board meetings

> . . . thorny discussions continued. The trustees asked us to revise our cash-flow analysis -- inflating expenditures by 4 percent to 5 percent and cutting projected revenues from the private sector. They cautioned us to factor in escalating health care costs. They grilled us about how the union would react to the college's declassification of its support staff. Senior administrators were pushed and even, at times, appropriately bullied. And when the proposed bill went before the legislature for discussion and vote, we were ready.(Ibid.)

The St.Mary's faculty were not hard to persuade of the merits of the change. Already plans included both expanding the number of faculty and increasing their salaries. Furthermore, the very act of having been designated in 1991 as a Public Honors College had had something of a Hawthorne effect, as it seemed more prestigious to be teaching at a place singled out for such a special designation. A College Task Force on the new status was created, with some membership drawn from the campus Senate. Later a secret ballot was taken among faculty ranks and, if my respondent was understood correctly, only one abstention was reported!

A little later in 1993 the College restored tenure which it had taken away in 1971, when tenure was replaced by a contract system. This restoration was done in order to give faculty a stronger motivation to identify their professional futures with the institution and, not incidentally, to provide for a more rigorous formal tenure evaluation process.

Staff had to negotiate their legal status if they gave up the protection of being members of the state civil service. They were given until July 1, 1993 to decide whether or not to transfer to the personnel system established by the College, with those declining the transfer to receive "job counseling and placement services for either a State or private sector position." (11-203,

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Section 2) Presumably they were giving up being covered by future state Cost of Living Adjustments (COLAs) but would be receiving instead College merit increases based on performance evaluations. Only one employee declined to transfer to the new system!

Alumni were also kept informed of developments with differential reactions reported depending upon how far back their college experiences had occurred. Those associated with the college pre-1980's seemed somewhat less concerned than those of more recent vintage. The latter evidently sensed that their own records could only be enhanced by the improving image and reputation of their Alma Mater.

Finally, students and their parents were not ignored either. A letter from President Lewis to "Students and Families" of 25 November 1991 laid out the case for the changed status of the College. The various cuts in state appropriations that had been received during the preceding year were outlined and mention made of the dangers that, after initial reductions in budgets for Continuing Education, Public Safety and Health Services, the College might have to phase out some academic majors and reduce the overall number of courses, "making it more difficult for students to complete their degrees in the normal four years." The plan to raise tuition from $2500 to $5000 over the next five years was then introduced, with the explanation that some of the additional income would be used to expand student aid: "No student admitted to the College would be forced to drop out because of a clear financial need." Families were urged to discuss the letter over the Thanksgiving break and then students would have an Open Forum on December 2nd to bring up their concerns. The process evidently went smoothly, as students and families seemed to buy in as well.

With all these careful preparations, the stage was really well set for a very smooth legal transition. Since both the Governor and the Secretary of the Higher Education Commission were strong supporters, most executive branch senior staffers swallowed whatever misgivings they might have had about either or both of the special statuses being granted in this Bill. Some confessed to me later that they were not very happy about guaranteeing a higher education institution a given sum of future state budgets and they were also uneasy about granting immunity from most state procedural controls. They felt that such controls had evolved over long periods of time and therefore had a certain cachet of legitimate accountability to them. But, as one staff put it, "when the Governor says 'jump', we jump!" The fact that the Governor's head of the Office of Budget and Fiscal Planning was a Charles Benton made the "jumping" even more certain, as Benton had been well known in Annapolis for wanting to devolve more powers to operating units since his days in the 1950's representing President Curly Byrd's University of Maryland team in the state capital arguing for more fiscal flexibility even then!

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St. Mary's College had done such a good job of legislative relations during the years leading up to the new status bill that there was remarkably easy sailing. As I heard a legislator describe it, the St. Mary's team would establish a set of indicators by which they were willing to be evaluated and then report on these, year by year, obviously showing progress along most dimensions (e.g. SAT scores of entering freshmen; the percentage of minority students; the number of faculty with terminal degrees). Thus, when the bill went to two Senate and three House committees, few significant problems were raised. One Senator was adamant that college freedoms from state building controls would apply only to building put up with private funds, and that when state tax dollars were involved, normal state controls would continue. Satisfied on this point, he voted with all other colleagues but one to approve the bill. Similarly in the House of Delegates, there was only one vote cast against the bill!

Although the bill provided for College immunity from most state procedural controls, it specified continuing obligations to "report to the Maryland Higher Education Commission on all assessment and accountability guidelines set by the Maryland Higher Education Commission" (14-207;(A)) and furthermore required both an annual audit by an independent CPA and access to College books "at any reasonable time" by the Division of Audits of the Department of Fiscal Services (14-207; (B) (2)(3)).

At a time when leaders of many other public sector institutions were singing for the most part songs of "gloom and doom" because of the long range prospects of state fiscal crisis, it was evidently very refreshing to find one institution that was more upbeat. And it obviously didn't hurt St. Mary's' chances that it was to constitute such a small exception: with only around 1500 students and $10 million plus in state funds, it was not going to tear huge holes in either the state budget or the state accountability processes, if an exception was made in its case.

IV Perceptions of the Consequences of the Altered Status

Although the major consequences of going to a hybrid public/private status have probably been in the areas of claimed savings regarding procurement and capital development processes, it seems fitting to put those items in the broader context of an overall assessment of the institution. Fortunately for this study, just such an appraisal was undertaken by a ten person Middle States accreditation team in October 1995, and their judgment (which is quoted with permission) was loud and clear:

> St. Mary's College is a strong, healthy institution. Under excellent leadership, it has enjoyed remarkable success in establishing a new -- and highly desirable --

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> relationship with the State of Maryland and in beginning to achieve a significant level of support from private sources. With a diverse and talented student body and a faculty that is dedicated to excellent teaching, St. Mary's has become a public liberal arts college of very high quality -- and a nationally recognized model in public higher education. The achievements of the College, along with its excellent facilities, dedicated faculty and enthusiastic students, sound student programs, able administration, and sense of community lead the Middle States Team to conclude that St. Mary's is ready to realize its full potential as an honors college. All these factors provide a sound base for the next step in the College's development, the full fruition of a careful planning process for the Honors College.(p.14)

Let us examine the various dimensions of campus life, to see whether the changed status of the institution has seemed to accompany (whether causing is another issue) any significant alterations in traditional practice.

Students: First, regarding size, diversity and quality of incoming students, it is safe to say that all three elements were already improving before the new status, but all three continued to improve afterwards as well. Size has not really been an issue, for the College's physical plant has a capacity for around 1500-1600 students, and that figure has been easily attainable. Diversity and quality, however, are important variables and there the record is impressive.

St. Mary's pledged to the state that its intentions to double its tuition in five years, from $2500 to $5000, would not be allowed to make the college into an upper-middle class white enclave. The following statistics reveal that the promise, so far, has been kept:

Racial Composition of the Full-time Student Body

	African-American	Native American	Asian	Hispanic	White
F94	10.6%	0.2%	3.8%	1.8%	83.5%
F93	9.3	.2	4.7	1.9	84.0
F92	8.5	.2	4.1	1.3	85.9
F91	8.5	.1	3.6	1.4	86.4

(Source:Report of the Reaccreditation Self-Study Committee, September 1995, Table 1,p.15)

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The minority student percentages are even higher if one examines the statistics for entering freshmen only: 19% were minority and their retention rates were even marginally stronger than for the average of the entire student body.(Ibid.,p.19)

In view of some of the stereotypes which suggest that choices must be made between quality and equality, the St. Mary's data show that quality improved at the same time that diversity increased. As mentioned earlier, SAT scores had increased from an average of 956 in 1983 to 1170 in 1994. High school academic course GPA had risen from 2.85 in 1988 to 3.24 in 1994. Advanced placement credits had increased from 48 awarded in 1987 to 700 in 1994.

This combination of improving both diversity and quality was achieved in the face of doubling tuition by raising the amount of institutional student aid to $1,025,000, helping 500 students in 1995, all these in addition to student aid received from federal and/or Maryland state sources. The Campaign for National Prominence helped raised an additional $9 million to add to the endowment for student aid. No student admitted is turned away for lack of means to pay.

Faculty: St. Mary's faculty during the period 1992-96 also increased in "size, diversity and quality." Thanks largely to funds raised by the Campaign for National Prominence, the number of full-time faculty grew from 72 in 1983 to 110 in 1994, with another 54 serving part-time in 1994. As mentioned earlier, the student-faculty ratio had improved from 16:1 in the late 1980's to 13.6:1 in 1994. The ultimate target is to have a 12:1 ratio, which would mean 125 full-time lines for an ideal student body of 1650.

The diversity of the faculty has increased with respect both to gender and race: the percentage of women grew from 25% in 1983 to 36% in 1994, although their numbers are stronger at the sub-professor ranks; the percentage of minority faculty increased from 8% (or 6) of the 72 faculty in 1983 to 19% (or 21) of the 110 in 1994. Here again, the larger number are in the lower and intermediate ranks.

In speaking of improvements in faculty quality, one turns to the collective judgment of the ten person Middle States Team which mentioned the "increasingly more effective national searches for new faculty." (p.4) The Team complimented the College on paying serious attention to excellence in teaching, but did note in passing that while "(s)cholarship leading to peer reviewed publication or its equivalent is respected at St. Mary's, . . .its relative importance is unclear." (p.4) The faculty normally teach three courses a semester.

Concerning faculty pay, the College conformed to general state policy in awarding no salary increases in the fiscal crisis years

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of FY92 and FY93, but later put $1.4 million into more substantial increases and then on September 6, 1995 reached agreement with a Faculty Committee and the Faculty Senate on a Policy on Faculty Compensation. Although some faculty, like some classified staff, were reluctant to give up the Cost of Living Adjustments (COLAs) going sometimes to other state personnel, the new policy put all increases into merit evaluations wherein the normal expectations would be about 25% rating Merit, 50% rating High Merit, and possibly 25% Outstanding Merit. There were provisions for an Inadequate Performance rating, with appeals procedures carefully described. The word given to faculty, as also to classified staff, is that more money net was being given via merit raises than would have been coming from COLAs, but that its distribution was obviously somewhat different because of the merit differentials. A faculty compensation sheet, based on the AAUP's March/April 1995 issue of Academe which provided salary data on nearly all U.S. colleges and universities, showed that St. Mary's salaries compared favorably to certain public sector counterparts (SUNY at Old Westbury; SUNY at Purchase; U.Minn.at Morris) but were generally under most of the private liberal arts colleges chosen (Bates; Carleton; Colby; Colorado; Davidson; Franklin and Marshall; Gettysburg; Hamilton; Mary Washington; and Washington).

Non-teaching staff: The non-teaching staff evidently believed what they had been told about compensation and the fairness of the merit evaluations because when a confidential survey was taken of employee morale in the summer of 1995, the results (shared with this author) were on the whole gratifying to the institution and its leaders. The survey of some 56 items was adapted from one used at Northern Michigan University and obtained a response rate of 64% from the 208 full and part-time staff. The key phrase from a detailed analysis of the results, broken down sometimes by gender and race, was that the "College can be quite proud that employees seem pretty satisfied with working conditions at the College."

Curriculum: The Middle States Team Report, already quoted above, offered strong praise for the careful and comprehensive planning process by which the College had prepared for the transition to a public honors college. The Reaccreditation Self-Study provides great detail about the different arrangements which had to be made and notes various problems in passing: the ways in which general education, major and interdisciplinary emphases could be reconciled; the demands of the proposed new Senior Project; the need to bring into the planning process both transfer students who would have taken their introductory work elsewhere and more recently recruited faculty who would not have participated in the earlier planning stages.

In terms of how the new College status affects the evolution of the new curriculum, one can see both aids and some continuing impediments. To the extent that the new status brings in more new funds from all sources than might have been forthcoming from mostly

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state sources under the earlier relationships, the causes of academic innovation and reform are well served. But since the College retains its accountability obligations to the Maryland Higher Education Commission (MHEC), it must hope that the need for flexibility in curriculum requirements, faculty workload and student assessment will be found compatible with specific guidance provided by MHEC in areas like statewide general education requirements and faculty workload. The Self-Study notes: "the College's designation as an honors college may provide the leverage we need to experiment with a greater variety of forms of student-faculty contact and educational activities than the State credit-hour and other guidelines can encompass." (p.115)

Governance and Finance: Recognizing that the greater powers of self-government granted by the 1992 legislation brought heavier responsibilities to the Board of Trustees, the College received legislative authorization in 1994 to gradually expand the 17 member board to a total of 25. Of the 20 current members in 1995, five were women and two were African American. The Board has created seven standing committees and drew the praise of the Middle States Team as an especially illustrious and hard working body. In fact, an editorial in the Baltimore Sun commenting on the then forthcoming summer 1996 announced retirement of President Ted Lewis noted what an outstanding job he had done and added "(i)t is worth noting that the excellence represented on his board only highlights the mediocrity of the regents who run the University of Maryland system." (March 28,1996) This issue of the value of each institution having its own separate board of trustees will be revisited in the Conclusion.

Concerning finance, Maryland Higher Education General Fund History published by MHEC in 1996 reveals that at least into FY 1997 St. Mary's College has suffered no loss in state funds by accepting the cap. This is because the Implicit Price Deflator has acted to increase St. Mary's state appropriations by a percentage which compares favorably with the increases granted to the 11 campus University of Maryland System. The figures and percentages are as follows:

	St.Mary's College			University of Maryland System		
Year	Amount	Increase	%	Amount	Increase	%
FY93	$10,380,489			$525,718,423		
FY97	11,768,364	1,387,875*	13.4*	581,100,722	55,382,300	10.5

* If we note, as we should, that $225,000 of the St.Mary's four year increase was a separate state "payback" for part of an earlier $300,000 state shortfall, then the four year increase becomes $1,162,875 or about 11.2%. That smaller percentage, however, still

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compares favorably with the UMS 10.5%. It should also be noted that the 10.5% figure is a system average, and that some campuses got more.

"Savings" Claimed from Greater Procedural Freedoms: In a Memo to President Lewis of September 14, 1995 from Seri Wilpone, Assistant to the President, estimates were offered of "significant savings to the College" stemming from the autonomy legislation. Although many savings reportedly resulted from numerous relatively small purchases, "two procurements have resulted in dramatic savings. . . because the College has not had to get major procurements approved by multiple State offices and instead has been able to act quickly to take advantage of favorable market conditions."

The first of these concerned the construction of 40 townhouses for resident students in 1993. Since these were being put up without state funds, the College was freed from State protocol for capital improvements.

> . . . the College was able to hire and begin construction on the townhouses within six months of the date our Board approved the project. Because we were able to take advantage of a tight construction market, the successful contract bid was more than a million dollars below the architect's estimate. The College realized additional savings in debt service payments because it was able to take advantage of a favorable bond market. The College's ability to position itself, act decisively, and control the pace of construction resulted in a $2.3 million savings on a $4.7 million capital construction project. (Emphasis added.)

The Memo then related the details of a more recent 25% savings in the purchase of 179 multimedia computer systems. Presumably because College autonomy allowed its officers "to exploit rapid price and availability changes, rather than be bound by State procurement procedures, such as the blanket ordering agreement," a normal $480,000 order was obtained for $360,000 and furthermore, was obtained on time, while many other higher education institutions "experienced delays in delivery of (their) computers."

When state officials working in some of the state executive offices charged with procedural controls over expenditures with state dollars were confronted with these claims, reactions tended to be of two sorts: on the one hand, there was some recognition that in these days of "reinventing government" and "total quality management" where the driving themes are to get decisions made as

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close to the operating arenas as possible, the state does need to pull back somewhat from its possibly overly-detailed accountability patterns. Computer purchase, for example, was cited as a specific area where the general state policies were being reconsidered, not just for higher education, but for state offices in general.

On the other hand, several such officials pointed out that the short run "good news" from St. Mary's about savings was dependent on there being "favorable market conditions" for them to take advantage of. If their greater freedoms had had to operate in deteriorating conditions, "they might not have found their liberties so intoxicating".

V Conclusion

First, let's establish that the "quasi-privatization" being discussed is not like that sometimes encountered in public administration wherein, say, a local city government closes down some branch of public service and literally contracts with some private agency to undertake the function in question. One has heard of such functions as street cleaning, garbage collection and even prisons and schools being contracted out. In the case of St. Mary's College, only its procedural accountability patterns with the state have been altered; its substantive accountability patterns to the Maryland Higher Education Commission remain. Its basic role and mission still have to be approved by MHEC; it is still subject to MHEC guidelines re: general education requirements and student assessment procedures. It is this very distinction which will allow me to close this study by suggesting that the St. Mary's precedent may have broader relevance for other public sector institutions.

Re-visiting the 1992 Agreement: Toward the end of most interviews, I would ask the respondent whether, with the advantage of hindsight, he or she would have changed anything in the original agreement. The answers more often than not were negative, but a few suggestions surfaced "from each side" and are presented here.

From the campus came the thought that if freedom from state controls worked well for capital projects put up with private funds, why would not it also work well for projects funded by tax dollars? Campus administrators could contrast the relative ease with which the privately-funded townhouses, mentioned above, had been constructed with the state controlled processes needed to build the very welcome $16 million new science center.

Also mentioned by a campus official was the fact that the original 1993 state appropriation to St. Mary's on which all subsequent appropriations were to be based was not tied to an explicit College enrollment. Therefore, speculated this source, were state authorities later to urge the College to expand "significantly" (more than 200 above their current 1650 target),

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the College would be justified in re-opening the size of the basic grant.

From the state side came the concern that it just was not wise to put even a small part of the state budget out of the discretionary part of the budget. With state fiscal conditions looking so grim for the indefinite future, nothing in the budget should be sacred! At a much lesser level of impact, another state official did not think even granting the protection of the Implicit Price Deflator was called for.

Given the way things have evolved since 1992, one can understand why most institutional representatives were basically satisfied with the Agreement, but I was mildly surprised to find most state officials also relatively supportive. One legislator, speaking of earlier being on the receiving end of the College lobbying, did complain: "They whine a lot"-- but then did not take this irritation so far as to oppose the actual changes and did not later wish to alter the agreement except in one area: the newly-given College freedoms with respect to personnel policies still left the state with the legal responsibilities for retirement benefits. Therefore this legislator was going to keep a close eye on St.Mary's use of its personnel freedoms to make sure that the state was not presented with some fiscally awkward obligations.

Another outcome of the 1992 Agreement which may not have been fully anticipated was the extent to which being given both the power and the responsibility for self-government would bring more vitality to the governing processes. It was easier to attract outstanding persons to serve on the Board of Trustees when the nominees were made to understand that they were no figureheads: the decisions they would help make would actually shape the College and demonstrate its general accountability to the people of Maryland. And internally, when the faculty and administrators learned that the system of lump sum budgeting would allow the institution to pass considerable discretion down to the spending units, the budgeting calculations and spending habits no longer dealt with "games with the state" but rather with real decisions showing fiscal responsibility.

State officials in the Attorney General's Office pointed out the caution that if ever things should go wrong in capital building projects put up with private funds, the very absence of state officials normally welcomed by the College would also mean that the College's own senior administrators would have to carry the process. So far, in the limited history of the Agreement, such a situation has not arisen, so the "costs" of this freedom are not yet apparent.

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Political Dimensions: One of the more politically astute members of the St. Mary's Board remarked to me that, if it had been so inclined, the University of Maryland System leadership would have been able to block the 1992 Agreement. Obviously it chose not to do so, and when queried later, a UMS official said that his colleagues wished St. Mary's well, and hoped that the legislature would take that experience as more justification to relax state procedural controls a bit more. Evidently some fruitful negotiations were already taking place and it perhaps did not hurt that the Governor who succeeded William Donald Schaefer was Parris Glendenning, a former professor from the University's College Park campus or that his choice for Secretary of Higher Education (and CEO of MHEC) was Dr.Patricia Florestano, a former professor and senior administrator from the University System! Furthermore, presidents of campuses within the UMS seemed supportive of the System leadership, one remarking to me that his reaction to St. Mary's special status was "more envy than hostility."

Likewise the leadership of the Maryland Independent College and University Association (the statewide association of private institutions) took no formal position on St. Mary's change in status, but privately hoped that the changes would help the institution.

It was a sign of St. Mary's College continuing good relations in the state capital that when its strong supporters, Governor Schaefer and Secretary of Higher Education Aery, left office, the new Governor Glendenning appointed Schaefer to the St. Mary's Board of Trustees, appointed Ed Clark, former Chair of the St. Mary's Board to be Chair of the Maryland Higher Education Commission. Furthermore, the new Secretary of Higher Education Florestano appointed as her chief deputy Michael Rosenthal, Academic Vice President at St.Mary's some years earlier. No one expects the 1992 Agreement to be negated soon!

Broader Lessons Learned from St.Mary's Experience: First, one must recognize that four years may be an inadequate time frame in which to try to evaluate the results of the 1992 legislation; all conclusions must remain tentative for the time being.

How unique is St. Mary's? Over and over again, I was told in Annapolis that the St. Mary's Agreement had been achieved only because, with approximately 1500 students and a state budget of around $10 million (in 1992), the College constituted such a small "exception" that its unusual status could be granted. And earlier, we rehearsed the particular conditions at St. Mary's which made possible taking the risks listed: its secure market niche; its solid record on diversity; its strong Board of Trustees; and its increasing success in raising private funds.

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All this having been said, does it then remain that the St. Mary's "lessons" must remain unique to that unique institution, or is it possible to find some relevant broader meanings?

Departing President Lewis (summer of 1996) himself anticipated that question and attempted an answer:

> The St. Mary's College model in its entirety then, perhaps is not feasible for all public institutions. Yet within this plan, others may find certain pieces to borrow, a direction to take. (1994,p.24)

Among the "certain pieces" Dr. Lewis mentioned two that strike this author as particularly relevant: the great value of individual governing boards for each campus in the public sector; and the possibility of the state granting more procedural autonomy to the entire public sector.

In some ways, the first Lewis "piece" may be prerequisite to the second, for the state may be reluctant to grant more procedural freedoms to an institution until the state is assured that careful governance structures and procedures are there to make sure that the greater freedoms will not be abused. Trustees in vast public multi-campus systems just cannot spend the time to keep themselves informed in detail about the ways in which the various institutions under their charge may or may not be using newly-granted freedoms wisely and carefully. Clearly, the message here is that a board for each campus is the better way to go, but whether high quality appointments would accept service on local boards that are advisory only, and that exist at the pleasure of the central governing board of the multi-campus system, remains to be seen. On the premise that half a loaf is better than none, this chapter will urge the appointment of even advisory local boards, but with the additional exhortation that they then negotiate to acquire as many devolved powers as possible.

The second Lewis "piece" referred to greater autonomy for public sector institutions. Here the distinction between procedural and substantive autonomy becomes crucial: for it is argued that the state's public interest can be well protected with a public sector whose substantive goals and programs are shared with the state through what has been called a "suitably sensitive mechanism" (Berdahl, 1971, p.15) but where the state yields the broadest array of procedural freedoms to the institutions. If state controls over line item budgeting, personnel policies, procurement policies and building procedures are found more often than not to result in bureaucratic delays and additional costs (as the St.Mary's case suggests that they do), then enlightened members of the state executive and legislative branches should recognize that procedural accountability is a means rather than an end in itself, and that if more efficient and more effective delivery of public services can be obtained by cutting back state procedural controls, it should be

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done for as much of the public sector as state authorities judge to have the internal administrative capacities to use those freedoms wisely and well.

While some discussions of privatization in the public sector have referred to allowing units such as a law school to operate as a quasi-independent function, setting its own tuition, hiring its own faculty and staff, setting its own salaries, etc., that form of privatization raises problems for this author in that both procedural and substantive controls have been surrendered. To my thinking, the state still should retain a partnership role in the substantive goals and programs. Therefore, this chapter endorses the different form of privatization seen in the St. Mary's case, where St. Mary's continues its obligations to the Maryland Higher Education Commission for approval of its role and mission and for reports dealing with student assessments and general education, but nevertheless uses its sweeping powers of self-government in procedural domains to improve its academic quality, maintain broad student access and raise more funds through increased efforts in the private market.

An important variable in the success of St. Mary's which was omitted in President Lewis' article (for obvious reasons of his modesty) was the crucial role of the President himself. Organization theory texts are filled with debates as to whether presidents "make a difference" or whether they are like "interchangeable lightbulbs". While St. Mary's is much too small an institution to make larger claims, based on its experiences, I could not end this essay without remarking on the obvious impact which President Lewis had on the institution in the thirteen years since he assumed office. He does end his article on the transformation of the College by noting that there were some personal "costs": "I worry a lot more and don't sleep as well as I used to. But that, as a former chairman of the board said, is the price." Faculty and staff and students are understandably concerned as President Lewis retires in the summer of 1996 that his successor, Dr. Maggie O'Brien, President of Hollins College, Virginia, will have a good appetite for fund raising and for continuing the charmed Lewis touch for recruitment of outstanding Board members.

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